

Township of Marlette

Sanilac County, Michigan

Audited Financial Report
March 31, 2005

Lehn L. King

Certified Public Accountant
Marlette, Michigan

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Marlette	County Sanilac
Audit Date 7/2/05	Opinion Date 7/2/05	Date Accountant Report Submitted to State: 10/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

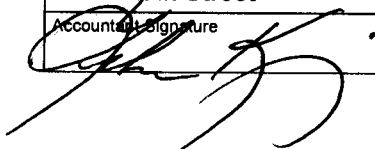
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Lehn L. King, CPA			
Street Address 3531 Main Street	City Marlette	State MI	ZIP 48453
Accountant Signature 		Date 10/19/05	

Township of Marlette
Annual Financial Report
For The Fiscal Year Ended March 31, 2005

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LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Township Board

Township of Marlette

Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Marlette, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Marlette, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Marlette, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

July 2, 2005

Township of Marlette

Marlette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Marlette's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$302,966.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Marlette's fund balances are as follows:

	March 31, 2005	March 31, 2004
General Fund	\$ 302,966	\$ 279,111
Road Fund	47,987	45,827
FireFund	1,851	5,158
Total for Township	<u>\$ 352,804</u>	<u>\$ 330,096</u>

Township of Marlette

Marlette, Michigan

Governmental Activities

The Township of Marlette's Revenues and Expenditures can be summarized as follows:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Activities</u>
Fund Balance - Beginning of Year	\$ 279,111	\$ 45,827	\$ 5,158	\$ 330,096
Revenue Collected				
Intergovernmental Revenue	145,994	-	-	145,994
Property Taxes/Special Assessments	55,392	46,319	-	101,711
Charges for Services	5,620	-	10,685	16,305
Interest Income	5,070	70	8	5,148
Transfers	8,126	30,000	44,275	82,401
Other	-	7,619	-	7,619
Total Revenue Collected	<u>220,202</u>	<u>84,008</u>	<u>54,968</u>	<u>359,178</u>
Expenditures				
General Government	78,545	-	-	78,545
Public Safety	10,231	-	58,275	68,506
Public Works	26,296	81,848	-	108,144
Recreation & Culture	4,000	-	-	4,000
Capital Outlay	3,000	-	-	3,000
Transfers	74,275	-	-	74,275
Total Expenditures	<u>196,347</u>	<u>81,848</u>	<u>58,275</u>	<u>336,470</u>
Fund Balance - End of Year	<u>\$ 302,966</u>	<u>\$ 47,987</u>	<u>\$ 1,851</u>	<u>\$ 352,804</u>

Township of Marlette

Marlette, Michigan

Economic Factors and Next Year's Budget and Rates

The Township of Marlette's 2005/2006 adopted budget is as follows:

	General Fund	
	March 31,	
	2005/2006	2004/2005
Revenue		
Intergovernmental Revenue	147,395	150,000
Property Taxes/Special Assessments	61,710	56,950
Charges for Services	4,435	4,200
Interest	5,000	1,100
Other	6,700	5,750
Total Revenue Collected	225,240	218,000
Expenditures		
General Government	83,852	79,350
Public Safety	12,100	10,800
Public Works	26,500	27,200
Recreation & Culture	2,000	4,000
Capital Outlay	-	-
Transfers	154,484	96,650
Total Expenditures	278,936	218,000
Net Over/Under Budget	\$ (53,696)	\$ -

The Township of Marlette's General Fund budget for next year is approximately the same budget as a year ago.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 1756 Germania Road, Marlette, Michigan or by telephone at (989) 635-7772.

Kirk Dale
Township of Marlette Supervisor

Township of Marlette

Statement of Net Assets (Deficit)

March 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 344,298.87	\$ 42,233.34	\$ 386,532.21
Property Taxes Receivable	8,197.89	-	8,197.89
Due From Other Funds	307.60	-	307.60
Fuel Inventory	-	9,802.08	9,802.08
Capital Assets			
Nondepreciable Capital Assets	-	189,634.00	189,634.00
Depreciable Capital Assets	3,000.00	145,238.93	148,238.93
Total Assets	355,804.36	386,908.35	742,712.71
<u>Liabilities</u>			
Total Liabilities	-	-	-
Net Assets (Deficit)			
Invested in Capital Assets - Net of Related Debt	3,000.00	334,872.93	337,872.93
Unrestricted	352,804.36	52,035.42	404,839.78
Total Net Assets (Deficit)	\$ 355,804.36	\$ 386,908.35	\$ 742,712.71

The notes are an integral part of the statements.

Township of Marlette

Statement of Activities

For the Year Ended March 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Totals
Expenses						
\$	\$	\$	\$	\$	\$	\$
78,544.72	-	-	-	(78,544.72)	-	(78,544.72)
68,506.35	16,304.56	-	-	(52,201.79)	-	(52,201.79)
108,144.39	-	-	-	(108,144.39)	-	(108,144.39)
4,000.00	-	-	-	(4,000.00)	-	(4,000.00)
-	-	-	-	-	-	-
Total Governmental Activities	16,304.56	-	-	(242,890.90)	-	(242,890.90)
Business-type Activities	82,813.32	-	-	-	(760.42)	(760.42)
Total Primary Government	\$ 99,117.88	\$ -	\$ -	\$ (242,890.90)	\$ (760.42)	\$ (243,651.32)
General Revenues:						
Property Taxes				\$ 101,711.11	-	\$ 101,711.11
State Shared Revenues				145,994.00	-	145,994.00
Interest				5,148.10	50.15	5,198.25
Other Revenues				15,744.91	-	15,744.91
Transfers				-	-	-
Total General Revenues, Special Items & Transfers				268,598.12	50.15	268,648.27
Change in Net Assets				25,707.22	(710.27)	24,996.95
Net Assets (Deficit) - Beginning of Year				330,097.14	387,618.62	717,715.76
Net Assets (Deficit) - End of Year				\$ 355,804.36	\$ 386,908.35	\$ 742,712.71

The notes are an integral part of the statements.

Township of Marlette

Governmental Funds

Balance Sheet

March 31, 2005

	General Fund	Major Special Revenue Funds		Total Governmental Funds
		Road Fund	Fire Fund	
<u>Assets</u>				
Cash & Certificates of Deposit	\$ 298,218.29	\$ 44,229.79	\$ 1,850.79	\$ 344,298.87
Property Taxes Receivable	4,440.39	3,757.50	-	8,197.89
Due From Other Funds	307.60	-	-	307.60
<u>Total Assets</u>	<u>\$ 302,966.28</u>	<u>\$ 47,987.29</u>	<u>\$ 1,850.79</u>	<u>\$ 352,804.36</u>
<u>Liabilities & Fund Equity</u>				
<u>Liabilities</u>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<u>Fund Equity</u>				
Fund Balances				
- Unreserved & Undesignated	302,966.28	47,987.29	1,850.79	352,804.36
<u>Total Fund Balances</u>	<u>302,966.28</u>	<u>47,987.29</u>	<u>1,850.79</u>	<u>352,804.36</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 302,966.28</u>	<u>\$ 47,987.29</u>	<u>\$ 1,850.79</u>	<u>\$ 352,804.36</u>

The notes are an integral part of the statements.

Township of Marlette
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2005

Total Fund Balances for Governmental Funds	\$ 352,804.36
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	<u>3,000.00</u>
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Net Assets of Governmental Activities	<u><u>\$ 355,804.36</u></u>
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The notes are an integral part of the statements.

Township of Marlette

Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2005

	General Fund	Major Special Revenue Funds		Total Governmental Funds
		Road Fund	Fire Fund	
Revenues				
Property Taxes	\$ 55,391.84	\$ 46,319.27	\$ -	\$ 101,711.11
State Shared Revenue	145,994.00	-	-	145,994.00
Charges for Services	5,620.00	-	10,684.56	16,304.56
Interest Earnings	5,070.34	70.03	7.73	5,148.10
Other Revenues	8,126.22	7,618.69	-	15,744.91
<u>Total Revenues</u>	<u>220,202.40</u>	<u>54,007.99</u>	<u>10,692.29</u>	<u>284,902.68</u>
Expenditures				
General Government	78,544.72	-	-	78,544.72
Public Safety	10,231.35	-	-	68,506.35
Publics Works	26,296.45	81,847.94	58,275.00	108,144.39
Recreation & Culture	4,000.00	-	-	4,000.00
Capital Outlay	3,000.00	-	-	3,000.00
<u>Total Expenditures</u>	<u>122,072.52</u>	<u>81,847.94</u>	<u>58,275.00</u>	<u>262,195.46</u>
Excess of Revenues Over (Under) Expenditures	98,129.88	(27,839.95)	(47,582.71)	22,707.22
Other Financing Sources (Uses)				
Operating Transfers In (Out)	(74,275.00)	30,000.00	44,275.00	-
Net Change in Fund Balances	23,854.88	2,160.05	(3,307.71)	22,707.22
Fund Balances - Beginning of Year	279,111.40	45,827.24	5,158.50	330,097.14
Fund Balances - End of Year	<u>\$ 302,966.28</u>	<u>\$ 47,987.29</u>	<u>\$ 1,850.79</u>	<u>\$ 352,804.36</u>

The notes are an integral part of the statements.

Township of Marlette
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 22,707.22

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 3,000.00

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds -

Net Assets of Governmental Activities \$ 25,707.22

The notes are an integral part of the statements.

Township of Marlette
Statement of Net Assets (Deficit)
Proprietary Funds
March 31, 2005

	<u>Enterprise Fund</u>
	<u>Airport Fund</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash & Cash Equivalents	\$ 42,233.34
Fuel Inventory	<u>9,802.08</u>
<u>Total Current Assets</u>	52,035.42
<u>Noncurrent Assets</u>	
Capital Assets not being Depreciated	189,634.00
Capital Assets being Depreciated	885,783.46
Less: Accumulated Depreciation	<u>(740,544.53)</u>
<u>Total Noncurrent Assets</u>	<u>334,872.93</u>
Total Assets	386,908.35
<u>Liabilities</u>	
Total Liabilities	<u>-</u>
<u>Net Assets</u>	
Invested in Capital Assets Net of Related Debt	334,872.93
Unrestricted	<u>52,035.42</u>
<u>Total Net Assets</u>	<u><u>\$ 386,908.35</u></u>

The notes are an integral part of the statements.

Township of Marlette
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
March 31, 2005

	Enterprise Fund Airport Fund
<u>Operating Revenues</u>	
Hanger & Land Rent / Tie Downs	\$ 12,540.00
Fuel Sales	67,347.32
Maintenance Fees	<u>2,926.00</u>
<u>Total Operating Revenues</u>	<u>82,813.32</u>
<u>Operating Expenses</u>	
Operation & Maintenance	66,703.33
General & Administration	7,556.31
Depreciation	<u>9,314.10</u>
<u>Total Operating Expenses</u>	<u>83,573.74</u>
<u>Operating Income (Loss)</u>	(760.42)
<u>Nonoperating Revenues (Expenses)</u>	
Interest Earned	50.15
Donations	-
Transfers From (To) Other Funds	<u>-</u>
Change in Net Assets	(710.27)
<u>Net Assets - Beginning of Year</u>	<u>387,618.62</u>
<u>Net Assets - End of Year</u>	<u>\$ 386,908.35</u>

The notes are an integral part of the statements.

Township of Marlette
Statement of Cash Flows
Proprietary Funds
For The Year Ended March 31, 2005

	<u>Enterprise Fund</u> <u>Airport Fund</u>
<u>Cash Flow From Operating Activities</u>	
Receipts from Customers	\$ 82,813.32
Payments for Operation, Maintenance, & Water	(58,634.41)
Payments for General & Administration	<u>(7,556.31)</u>
<u>Net Cash Provided by Operating Activity</u>	16,622.60
<u>Cash Flows from Noncapital Financing Activities</u>	
Operating Transfers In (Out)	<u>-</u>
<u>Net Cash Provided by Noncapital Financing Activities</u>	-
<u>Cash Flows from Capital & Related Financing Activities</u>	
Receipt of Capital Contributions	<u>-</u>
<u>Net Cash Provided by Capital & Related Financing Activities</u>	-
<u>Cash Flows From Investing Activities</u>	
Interest received on Investments	<u>50.15</u>
<u>Net Increase (Decrease) in Cash & Cash Equivalents</u>	16,672.75
<u>Cash & Cash Equivalents - Beginning of Year</u>	<u>25,560.59</u>
<u>Cash & Cash Equivalents - End of Year</u>	<u>\$ 42,233.34</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>	
Operating Income (Loss)	(760.42)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:	
Depreciation	9,314.10
Changes in Assets & Liabilities:	
Fuel Inventory	8,068.92
Accounts Payable	<u>-</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 16,622.60</u>

The notes are an integral part of the statements.

Township of Marlette
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2005

	<u>Fiduciary Fund</u>	<u>Totals</u>
	<u>Current Tax Collection Fund</u>	<u>March 31, 2005</u>
<u>Assets</u>		
Cash - Savings & Certificates	\$ 858.60	\$ 858.60
<u>Total Assets</u>	<u>\$ 858.60</u>	<u>\$ 858.60</u>
<u>Liabilities & Fund Balance</u>		
<u>Liabilities</u>		
Due To General Fund	\$ 307.60	\$ 307.60
Due To Others	551.00	551.00
<u>Total Liabilities</u>	<u>858.60</u>	<u>858.60</u>
<u>Fund Balances</u>		
Unreserved & Undesignated	-	-
<u>Total Fund Balances</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities & Fund Balances</u>	<u>\$ 858.60</u>	<u>\$ 858.60</u>

The notes are an integral part of the statements.

Township of Marlette
Notes to the Financial Statements
For The Year Ended March 31, 2005

The accounting methods and procedures adopted by the Township of Marlette, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township of Marlette was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Marlette (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund - This fund accounts for the payment of road maintenance. Funding is provided primarily through property taxes and contributions from the General Fund.

Fire Fund - This fund accounts for the payment of the standby fees to the Marlette Community Fire Department. Funding is provided primarily through fire runs and contributions from the General Fund.

Additionally, the Township reports the following fund types:

Tax Collection Fund - The Tax Collection Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.

Township of Marlette
Notes to the Financial Statements
For The Year Ended March 31, 2005

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 20 years

Township of Marlette
Notes to the Financial Statements
For The Year Ended March 31, 2005

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Township of Marlette
Notes to the Financial Statements
For The Year Ended March 31, 2005

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
<u>General Fund</u>			
Professional Services	\$ 7,000	\$ 7,438	\$ 438
Clerk	11,600	12,767	1,167
Treasurer	15,000	16,076	1,076
Streetlights	800	858	58
Capital Outlay	-	3,000	3,000
<u>Fire Fund</u>			
Standby Fees	56,913	58,275	1,362

Township of Marlette
Notes to the Financial Statements
For The Year Ended March 31, 2005

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 344,299	\$ 42,233	\$ 859	\$ 387,391

The Township's deposits are in accordance with statutory authority. As of March 31, 2005, the balance sheet carrying amount of cash deposits was \$387,391. The bank balance as of March 31, 2005, was \$387,391, of which \$295,187 was covered by FDIC insurance.

All cash deposits and investments of the Township are held by the Township in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of Deposit	95,187	-	-	95,187	95,187
Operating Funds					
US Treasury Bonds	-	-	-	-	-
Total Risk-Categorized Investments	95,187	-	-	95,187	95,187

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

Township of Marlette
Notes to the Financial Statements
For The Year Ended March 31, 2005

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and must be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The Township levied the following taxes:

General Government Services	<u>0.8898</u> mills
Roads	<u>0.9425</u> mills

5. Capital Assets

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance March 31, 2005</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Building & Improvements	\$ -	\$ 3,000	\$ -	\$ 3,000
Total Capital Assets being Depreciated	-	3,000	-	3,000
Accumulated Depreciation:				
Building & Improvements	-	-	-	-
Total Accumulated Depreciation	-	-	-	-
Net Capital Assets	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>
Business-type Activities:				
Capital Assets not being Depreciated - Land	\$ 189,634	\$ -	\$ -	\$ 189,634
Capital Assets Being Depreciated:				
Airport Infrastructure	821,212	-	-	821,212
Machinery & Equipment	64,571	-	-	64,571
Total Capital Assets being Depreciated	885,783	-	-	885,783
Accumulated Depreciation:				
Airport Infrastructure	670,330	5,643	-	675,973
Machinery & Equipment	60,900	3,671	-	64,571
Total Accumulated Depreciation	731,230	9,314	-	740,544
Net Capital Assets	<u>\$ 344,187</u>	<u>\$ (9,314)</u>	<u>\$ -</u>	<u>\$ 334,873</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ -
Total Governmental Activities	<u>\$ -</u>
Business-type Activities:	
Public Works	\$ 9,314
Total Business-type Activities	<u>\$ 9,314</u>

Township of Marlette
Notes to the Financial Statements
For The Year Ended March 31, 2005

6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

7. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 308	T&A - Tax Collection	\$ 308
Total	<u>\$ 308</u>		<u>\$ 308</u>

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Road Fund	\$ 30,000	General Fund	\$ 30,000
Fire Fund	44,275	General Fund	44,275

8. Post Employment Benefits

The Township does not provide any post employment benefits.

9. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

10. Contingent Liability

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department real estate mortgage dated December 22, 1999. The real estate mortgage was used to purchase commercial property and construct a fire hall for the storage of fire equipment. As of March 31, 2004, the outstanding balance of the real estate mortgage is in the amount of \$618,760.

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department commercial promissory note dated December 7, 2001. The promissory note was used to purchase a fire department ladder truck. As of March 31, 2004, the outstanding balance of the promissory note is in the amount of \$87,405.

Required Supplemental Information

Township of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

	General Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 56,950.00	\$ 56,950.00	\$ 55,391.84	\$ (1,558.16)
State Shared Revenues	150,000.00	150,000.00	145,994.00	(4,006.00)
Charges for Services	4,200.00	4,200.00	5,620.00	1,420.00
Interest Earnings	1,100.00	1,100.00	5,070.34	3,970.34
Other Revenues	5,750.00	5,750.00	8,126.22	2,376.22
<u>Total Revenues</u>	<u>218,000.00</u>	<u>218,000.00</u>	<u>220,202.40</u>	<u>2,202.40</u>
<u>Expenditures</u>				
General Government				
Township Board	20,400.00	20,400.00	19,542.87	857.13
Supervisor	6,150.00	6,150.00	5,775.00	375.00
Elections	2,600.00	2,600.00	2,374.46	225.54
Professional Services	7,000.00	7,000.00	7,437.77	(437.77)
Assessor	14,100.00	14,100.00	12,401.88	1,698.12
Clerk	11,600.00	11,600.00	12,766.68	(1,166.68)
Board of Review	1,000.00	1,000.00	825.00	175.00
Treasurer	15,000.00	15,000.00	16,076.06	(1,076.06)
Cemetery	1,500.00	1,500.00	1,345.00	155.00
<u>Total General Government</u>	<u>79,350.00</u>	<u>79,350.00</u>	<u>78,544.72</u>	<u>805.28</u>
Public Safety				
Planning & Zoning	7,600.00	7,600.00	7,323.80	276.20
Streetlights	800.00	800.00	857.55	(57.55)
Board of Appeals	2,400.00	2,400.00	2,050.00	350.00
<u>Total Public Safety</u>	<u>10,800.00</u>	<u>10,800.00</u>	<u>10,231.35</u>	<u>568.65</u>
Public Works	<u>27,200.00</u>	<u>27,200.00</u>	<u>26,296.45</u>	<u>903.55</u>
Parks & Recreation	<u>4,000.00</u>	<u>4,000.00</u>	<u>4,000.00</u>	<u>-</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>3,000.00</u>	<u>(3,000.00)</u>
<u>Total Expenditures</u>	<u>121,350.00</u>	<u>121,350.00</u>	<u>122,072.52</u>	<u>2,277.48</u>
Excess of Revenues Over (Under) Expenditures	96,650.00	96,650.00	98,129.88	4,479.88
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	(96,650.00)	(96,650.00)	(74,275.00)	22,375.00
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	-	-	23,854.88	26,854.88
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>279,111.40</u>	<u>279,111.40</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,966.28</u>	<u>\$ 305,966.28</u>

Township of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Road Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 52,660.00	\$ 52,660.00	\$ 46,319.27	\$ (6,340.73)
Interest Earnings	50.00	50.00	70.03	20.03
Other Revenue	10,250.00	10,250.00	7,618.69	(2,631.31)
<u>Total Revenues</u>	<u>62,960.00</u>	<u>62,960.00</u>	<u>54,007.99</u>	<u>(8,952.01)</u>
<u>Expenditures</u>				
Public Works (Roads):				
Contracted Services	90,697.00	90,697.00	63,884.94	26,812.06
Brine & Brush Control	21,000.00	21,000.00	17,963.00	3,037.00
<u>Total Expenditures</u>	<u>111,697.00</u>	<u>111,697.00</u>	<u>81,847.94</u>	<u>29,849.06</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(48,737.00)</u>	<u>(48,737.00)</u>	<u>(27,839.95)</u>	<u>20,897.05</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	48,737.00	48,737.00	30,000.00	18,737.00
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>2,160.05</u>	<u>2,160.05</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>45,827.24</u>	<u>45,827.24</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,987.29</u>	<u>\$ 47,987.29</u>

Township of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Fire Runs	\$ 9,000.00	\$ 9,000.00	\$ 10,684.56	\$ 1,684.56
Interest Earnings	-	-	7.73	7.73
<u>Total Revenues</u>	<u>9,000.00</u>	<u>9,000.00</u>	<u>10,692.29</u>	<u>1,692.29</u>
<u>Expenditures</u>				
Public Safety (Fire Prevention):				
Standby Fees	<u>56,913.00</u>	<u>56,913.00</u>	<u>58,275.00</u>	<u>(1,362.00)</u>
<u>Total Expenditures</u>	<u>56,913.00</u>	<u>56,913.00</u>	<u>58,275.00</u>	<u>(1,362.00)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(47,913.00)</u>	<u>(47,913.00)</u>	<u>(47,582.71)</u>	<u>330.29</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	<u>47,913.00</u>	<u>47,913.00</u>	<u>44,275.00</u>	<u>3,638.00</u>
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>(3,307.71)</u>	<u>3,968.29</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>5,158.50</u>	<u>5,158.50</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,850.79</u>	<u>\$ 9,126.79</u>

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

July 2, 2005

Members of the Township Board
Marlette Township
Sanilac County, Michigan

Members of the Township Board:

In accordance with your request, I have made an examination of the financial statements of Marlette Township for the fiscal year ended March 31, 2005. During the course of my examination, no material items came to my attention.

From an overall viewpoint, the Marlette Township is in good financial condition. The financial records maintained by the clerk are in good order.

I thank the Township officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant